

1 IN THE UNITED STATES DISTRICT COURT

2 FOR THE SOUTHERN DISTRICT OF TEXAS

3 HOUSTON DIVISION

4 UNITED STATES OF AMERICA § CASE NO. 4:22-CR-00612-
§ (02) & (08)
5 VERSUS § HOUSTON, TEXAS
§ TUESDAY,
6 PERRY "PJ" MATLOCK (02) § DECEMBER 13, 2022
AND DANIEL KNIGHT (08) § 2:42 P.M. TO 3:23 P.M.

7
8 **BOND HEARING / ARRAIGNMENT**

9 BEFORE THE HONORABLE CHRISTINA A. BRYAN
10 UNITED STATES MAGISTRATE JUDGE

11
12 APPEARANCES: (SEE NEXT PAGE)

13 CASE MANAGER: MELISSA MORGAN

14 COURT RECORDER: BRANDIS ISOM

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ALSO ATTENDING:

PRETRIAL SERVICES OFFICER
Tiffani Dabney

1 **HOUSTON, TEXAS; TUESDAY, DECEMBER 13, 2022; 2:42 P.M.**

2 THE COURT: All right. United States of America
3 versus Perry "PJ" Matlock and Daniel Knight, Case No.
4 4:22-CR-612-2 and 612-8.

5 MR. ARMSTRONG: Good afternoon, Your Honor.
6 Scott Armstrong for the United States.

7 THE COURT: Thank you, Mr. Armstrong.

8 MR. FLOOD: Good afternoon, Your Honor.
9 Charles Flood for Mr. Matlock.

10 THE COURT: Good afternoon, Mr. Flood.
11 How are you?

12 MR. FLOOD: I'm well. Thanks.

13 THE COURT: Who is Mr. Matlock? Okay. Good
14 afternoon, Mr. Matlock.

15 And you're Mr. Knight?

16 DEFENDANT KNIGHT: Yes, ma'am.

17 THE COURT: And is there any counsel present for
18 Mr. Knight?

19 DEFENDANT KNIGHT: Until I'm getting some.
20 Afterwards I have.

21 THE COURT: Okay. Have you already spoken with
22 Mr. Knight, Ms. Gilcrease-Garcia?

23 MS. GILCREASE-GARCIA: Yes, Your Honor.

24 THE COURT: All right. So let's just --
25 Mr. Matlock, you are -- you've already retained Mr. Flood to

1 represent you in this case?

2 DEFENDANT MATLOCK: Yes.

3 THE COURT: Okay. And you're making your
4 appearance for all purposes, Mr. Flood.

5 MR. FLOOD: For bond, if I can, Your Honor, if
6 you'll allow it.

7 THE COURT: I mean, I'll allow limited appearances
8 in this district so I can't say what a district judge will
9 do, but if you make an appearance --

10 MR. FLOOD: I understand, Your Honor.

11 THE COURT: -- you've made an appearances.

12 MR. FLOOD: I understand, Your Honor.

13 THE COURT: All right. I'm looking for
14 Mr. Knight's -- here we go.

15 Mr. Knight, do you swear that this information on
16 your financial affidavit is true and correct to the best of
17 your knowledge?

18 DEFENDANT KNIGHT: Yes, ma'am.

19 THE COURT: Do you understand that this is --
20 you're swearing to this under penalty of perjury?

21 DEFENDANT KNIGHT: I do.

22 THE COURT: All right. You're currently employed?

23 DEFENDANT KNIGHT: Yes.

24 THE COURT: At this point, sir, you do not qualify
25 to receive court-appointed counsel so we'll address that

1 issue and we'll have to schedule you for counsel
2 determination hearing later.

3 DEFENDANT KNIGHT: Okay.

4 THE COURT: I just wanted to see what the
5 financial affidavit said.

6 Have you already spoken with Mr. Knight regarding
7 what the initial appearance is about?

8 MS. GILCREASE-GARCIA: I have, Your Honor.

9 THE COURT: Okay. All right. I'm going to let
10 you just stand here -- stand in as federal public defender.
11 Just looking at this affidavit right now, I cannot appoint
12 court-appointed counsel for him.

13 MS. GILCREASE-GARCIA: Understood, Your Honor.

14 THE COURT: Okay. Do you both have a copy of the
15 Indictment?

16 DEFENDANT KNIGHT: Yes, ma'am.

17 DEFENDANT MATLOCK: Yes.

18 THE COURT: All right. It is quite a lengthy
19 indictment.

20 I believe Mr. Knight is charged only in Count 1;
21 is that correct?

22 DEFENDANT KNIGHT: Yes, ma'am.

23 THE COURT: And Mr. Matlock is charged in
24 Counts -- the way I read it it's in Count 1 and Count 2
25 through 6 so I think this information sheet that says he's

1 charged in Counts 1 through 11 may be incorrect.

2 MR. ARMSTRONG: That's correct, Your Honor. He's
3 charged in Count 1 and the substantive counts of 1348,
4 Counts 2 through 6.

5 THE COURT: 2 through 6. All right. I am not
6 going to cover the 20 -- 34 pages of facts that are -- that
7 precede the counts in the Indictment, but to summarize the
8 facts alleged, a scheme and conspiracy to commit securities
9 fraud involving multiple securities, multiple individuals
10 who -- I don't have a redacted copy. I know this tells me
11 it's sealed but I don't know whose identity is still sealed.

12 MR. ARMSTRONG: Yes, Your Honor. At this point,
13 we would move to unseal the Indictment.

14 THE COURT: The entire Indictment.

15 MR. ARMSTRONG: Yes, Your Honor.

16 THE COURT: All right. Mr. Matlock and
17 Mr. Knight, you all are charged along with
18 Edward Constantinescu, John Rybarczyk, Gary Deel,
19 Stefan Hrvatin, Tim [sic] Cooperman, Mitchell Hennessey and
20 Perry "PJ" Matlock and Daniel Knight. As I mentioned, there
21 are 34 pages of facts describing a conspiracy to commit
22 securities fraud.

23 Count 1 is the charge of conspiracy to commit
24 securities fraud, in violation of 18, United States Code,
25 Section 1349 and charged in Count 1 are Mr. Constantinescu,

1 Mr. Matlock, Mr. Rybarczyk, Mr. Deel, Mr. Hrvatin,
2 Mr. Cooperman, Mr. Hennessey and Mr. Knight.

3 Count 1 alleges that there was a -- from January
4 2020 through June of 2022, in the Southern District of Texas
5 and elsewhere, all of those individual Defendants conspired
6 and agreed with each other and others to commit the offense
7 of securities fraud, which means knowingly and with the
8 intent to defraud, executing or attempting to execute a
9 scheme and artifice to defraud any person in connection with
10 any security of an issue or registered under Section 12 of
11 the Securities and Exchange Act of 1934.

12 The specific securities that are alleged to be at
13 issue include China SXT Pharmaceuticals; Torchlight Energy
14 Resources; GTT Communications; Surface Oncology; Alzamend
15 Neuro, Incorporated; Universe Pharmaceuticals; ABVC
16 BioPharma; Camber Energy, Inc.; and DatChat, Inc. This is a
17 violation of 18, US Code, Section 1348.

18 Then, Mr. Knight, that's the only charge in the
19 Indictment against you.

20 Mr. Matlock, there are -- Counts 2 through 6 are
21 charged against you along with Mr. Constantinescu,
22 Mr. Rybarczyk, Mr. Deel, Mr. Hrvatin, Mr. Cooperman and
23 Mr. Hennessey. And the charges in 2 through 11 specifically
24 involve the stocks China SXT Pharmaceuticals; Torchlight
25 Energy; GTT Communications; Surface Oncology; Alzamend

1 Neuro, Inc. and that is it. And the actual dates of the
2 fraud are alleged.

3 Count 2 involves September 2020, the China SXT
4 Pharmaceuticals stocks.

5 Count 3 is Torchlight in February 2021.

6 Count 4 is GTT Communications in March of 2021.

7 Count 5 is Surface Oncology in May of 2021.

8 And Count 6 is Alzamend in June of 2021.

9 If you are convicted on Count 1, the maximum
10 statutory penalty you face is:

11 Up to 25 years in prison;

12 A fine of up to \$250,000;

13 A five-year term of supervised release;

14 And a \$100 mandatory special assessment.

15 Mr. Matlock, for Counts 2 through 6, you face:

16 Up to 25 years in prison per count;

17 Same \$250,000 fine;

18 A five-year term of supervised release;

19 And there's always the \$100 special assessment per
20 count of conviction.

21 Without telling me anything about whether these
22 allegations are true, do you both understand what you're
23 charged with and what the maximum statutory penalty is if
24 you are found guilty?

25 DEFENDANT MATLOCK: Yes.

1 DEFENDANT KNIGHT: Yes, Your Honor.

2 THE COURT: All right. You both have the right to
3 remain silent with respect to these allegations. You never
4 have to speak to anyone including law enforcement or SEC
5 representatives regarding any of these allegations. You
6 should only speak to your attorney regarding them because
7 anything you say to someone else could be used against you
8 in the case.

9 Do you understand your right to remain silent?

10 Mr. Knight?

11 DEFENDANT KNIGHT: Yes, Your Honor.

12 THE COURT: And, Mr. Matlock?

13 DEFENDANT MATLOCK: Yes, Your Honor.

14 THE COURT: You also have the right to be
15 represented by counsel at all stages of the proceeding
16 regardless of whether or not you can afford to retain
17 counsel.

18 Mr. Matlock, you have retained counsel to
19 represent you and Mr. Flood has appeared here.

20 Mr. Knight, you have asked for court-appointed
21 counsel at this point. You do not -- based on the
22 information I have, you do not qualify for court-appointed
23 counsel. I will set you for a counsel determination
24 hearing. Probably we'll set -- well, we'll talk about the
25 date later, but you'll need to retain counsel and appear so

1 that I can be sure that you have counsel.

2 DEFENDANT KNIGHT: Yes, I was going to do that
3 whenever I left.

4 THE COURT: Okay. All right. So you both
5 understand your right to be represented by counsel at all
6 stages.

7 For Mr. Matlock, I need to give the United States
8 the *Brady* order. Under Rule 5(f), counsel for the United
9 States is ordered to comply with the disclosure obligations
10 of *Brady versus Maryland* and its progeny. The failure to do
11 so may result in the dismissal of charges, excluding of
12 evidence, adverse jury instructions, contempt proceedings
13 and sanctions.

14 All right. We'll do the *Brady* order for
15 Mr. Knight once his counsel appears.

16 Do we have -- do you have any motions with respect
17 to the issue of detention?

18 MR. ARMSTRONG: We're not seeking detention,
19 Your Honor.

20 THE COURT: All right. Have you all discussed --
21 I don't yet -- I haven't yet seen the bond reports for
22 Mr. Knight or Mr. Matlock. Hold on. Let me look at them.

23 (Pause in the proceedings.)

24 THE COURT: Mr. Flood, let me start with you.

25 Have you had any conversations with the United

1 States about bond conditions?

2 MR. FLOOD: I have, Your Honor. One agreement
3 we've made with the Government is that there are some
4 vehicles which are held which we've agreed not to transfer
5 or sell prior -- without government approval.

6 I'm assuming as part of it, they are seeking a
7 secured bond, Your Honor. We are seeking an unsecured bond.
8 I think that's about the biggest difference between us and
9 the Government in terms of bond.

10 THE COURT: Let me hear from the Government about
11 the secured bond.

12 MR. ARMSTRONG: Yes, Your Honor. As to
13 Mr. Matlock, the Indictment charges a pretty substantial
14 securities pump-and-dump scheme in which the Defendants
15 profited over \$100 million. Mr. Matlock was one of the
16 ringleaders of the scheme and as you can see in the
17 Probation Report, he has substantial assets including almost
18 a million dollars just in cars alone. And so a \$100,000
19 unsecured bond would not be sufficient to assure his
20 appearance at trial. We respectfully request a \$500,000
21 secured bond.

22 THE COURT: And Mrs. Stroud (phonetic) is your
23 wife; is that correct?

24 DEFENDANT MATLOCK: Yes, Your Honor.

25 THE COURT: So hang on, let me look at this here.

1 MR. FLOOD: And, Your Honor, just for the Court's
2 edification.

3 THE COURT: Yes.

4 MR. FLOOD: I'm in possession of two of the four
5 firearms in the Report and the other two are on their way to
6 my office and I have his passport with me here today.

7 THE COURT: Okay. Thank you, Mr. Flood.

8 I am going to -- based on the net worth that I see
9 here, I am going to require a secured bond. I think that
10 the amount that the Government is asking for will not
11 interfere with his ability to retain counsel and pay for
12 counsel.

13 There may be an issue about -- I understand you're
14 saying that there are two -- how many cars did you say you
15 were --

16 MR. FLOOD: There's two vehicles, Your Honor, that
17 we've agreed not to transfer them at this point so that's
18 the only reason I brought that up.

19 And I just wanted to clarify one point with the
20 Government, Your Honor. In the event of a large secured
21 bond, that his accounts aren't frozen. There's been some
22 discussion that his accounts were frozen; are they?

23 MR. ARMSTRONG: Your Honor, at this time, we have
24 not moved to seize any of his accounts, but we can't make
25 any promises about that going forward. That's handled by

1 the asset forfeiture at the US Attorney's Office and --

2 THE COURT: Well, here's the deal. You're asking
3 for a \$500,000 secured bond and he's got to retain an
4 attorney so if you freeze his assets, he can't use those
5 assets to retain an attorney.

6 So why don't we do this? How long has he lived
7 in Texas?

8 DEFENDANT MATLOCK: My whole life.

9 MR. FLOOD: His whole life, Your Honor.

10 THE COURT: Here's what I'm going to do: I'm not
11 going to require the secured bond, but I'm going to require
12 as a condition of his release that he not transfer or sell
13 any assets, cars, homes --

14 MR. FLOOD: That's reasonable, Your Honor.

15 THE COURT: -- whatever else he may have access
16 to. And then I think when -- depending on what you're going
17 to do with respect to the assets and whether or not they're
18 going to be frozen, we can readdress the need for a bond,
19 but he still has substantial assets even apart from the
20 \$500,000 of security that you're asking for in terms of a
21 bond, but that's probably the money that he's going to
22 have -- if you freeze all of his other assets, that's
23 probably the money he's going to have to use just to retain
24 his attorney so that's the problem.

25 I can require the bond -- the secured bond now,

1 but I'm telling you if we come back in and he tells me that
2 his assets have been frozen and he can't pay his attorney,
3 I'm going to release the security so that he can pay his
4 attorney.

5 MR. ARMSTRONG: I understand, Your Honor.

6 MR. FLOOD: Thank you, Your Honor.

7 THE COURT: Okay.

8 DEFENDANT MATLOCK: Thank you, Your Honor.

9 MR. ARMSTRONG: Your Honor, I think it would be
10 helpful too to actually list on the Record the vehicles that
11 Defense Counsel is talking about. I think that there's a
12 McLaren, a Lamborghini and also a Lexus.

13 THE COURT: And I'm going to ask -- as part of
14 the conditions of release, I'm going to say that he cannot
15 transfer or sell any assets without at least notifying
16 counsel for the United States that there's an intent to do
17 so so that --

18 MR. ARMSTRONG: Thank you, Your Honor.

19 THE COURT: -- you all can be aware of it.

20 Here's how I think we're going to handle this:
21 I'm going to say \$500,000 secured bond. If his assets get
22 frozen, file a motion to modify the conditions including
23 release of the security if that is needed to pay for
24 counsel.

25 MR. FLOOD: I get it.

1 THE COURT: All right. Okay. Here's where we
2 are on conditions. Let me make sure that I've covered
3 everything else.

4 I think we covered everything else other than the
5 bond conditions, correct?

6 MR. ARMSTRONG: Your Honor, I believe that we
7 have come to an agreement -- of course I'm happy to stand
8 corrected -- as to GPS, ankle monitoring and the like.

9 MR. FLOOD: That's correct, Your Honor.

10 THE COURT: Okay.

11 MR. FLOOD: We agreed to an ankle monitor.

12 THE COURT: Okay. And is that -- what type? US
13 Probation is going to ask me what kind of monitoring?
14 Standalone, the kind that he's on the GPS monitor and it's
15 monitoring him all the time, he doesn't have a curfew or are
16 you asking for --

17 MR. FLOOD: We not asking for a curfew,
18 Your Honor. I think that just the standalone monitor will
19 be fine. Thank you.

20 THE COURT: Okay. Standalone monitoring. Okay.

21 All right. Any other nonstandard conditions that
22 you're asking for with respect to Mr. Matlock?

23 MR. FLOOD: No, Your Honor.

24 MR. ARMSTRONG: Yes, Your Honor. So two in
25 particular. So Mr. Matlock, as alleged in the Indictment,

1 executed the scheme in social media so we would request that
2 he's not be allowed to post on social media to include
3 Twitter, Discord about securities. That's number one.

4 Number two, that he not be allowed to trade in
5 securities during the pendency of the case.

6 DEFENDANT MATLOCK: Let me -- so trading is --
7 that's how I make money is I trade stocks for a living. I
8 day trade so I'm in and out of stocks every day. So if you
9 take that away, I won't be able to do what I do for a
10 living.

11 MR. FLOOD: And I believe, Your Honor, the
12 allegation is that he uses social media to somehow influence
13 so I think if we cut one head off that, the other one is
14 fine. I don't know that --

15 DEFENDANT MATLOCK: Right.

16 MR. FLOOD: -- day trading without interference
17 of social media would be in violation of --

18 DEFENDANT MATLOCK: I'm happy to cut social media
19 out. I don't post a lot anyway so.

20 THE COURT: Counsel?

21 MR. ARMSTRONG: Your Honor, it's the equivalent
22 of a healthcare provider not being allowed to bill Medicare
23 after being indicted for healthcare fraud. It's a pretty
24 standard condition in this district.

25 THE COURT: Well, it's slightly different and

1 I've had those kinds of charges and we have allowed medical
2 doctors to continue seeing patients, just not billing
3 Medicare or not billing the insurance company that's alleged
4 to have been defrauded.

5 The scheme here, as I read the 34 pages, was the
6 pump and dump so the allegation is that they are making
7 false representations about the securities to increase their
8 profits from this. So I'm not going to prevent someone from
9 working.

10 However, obviously if any new crimes are
11 committed, those are subject to being charged, but I am
12 going to prevent you from posting on social media or
13 communicating in --

14 DEFENDANT MATLOCK: Completely.

15 THE COURT: -- any other form about value or your
16 activity -- the value of anything you're trading in or your
17 activity -- your trading activity.

18 DEFENDANT MATLOCK: Okay.

19 THE COURT: It should remain private with you
20 only. Don't talk to anyone else about it.

21 DEFENDANT MATLOCK: So does that include normal
22 posts if I was to make a post?

23 MR. FLOOD: No, no social media.

24 THE COURT: No social media.

25 MR. FLOOD: No social media.

1 DEFENDANT MATLOCK: Okay.

2 THE COURT: No Twitter, no -- I don't know what
3 all these --

4 DEFENDANT MATLOCK: Discord.

5 THE COURT: Discord.

6 DEFENDANT MATLOCK: A hundred percent.

7 THE COURT: No Facebook, Instagram.

8 MR. FLOOD: Yeah, no public communication via the
9 Internet.

10 DEFENDANT MATLOCK: Okay. Just to clarify.

11 THE COURT: No social media.

12 DEFENDANT MATLOCK: Yes, ma'am.

13 THE COURT: You can work as a day trader, but you
14 cannot communicate with anyone about your trades.

15 DEFENDANT MATLOCK: Yes, Your Honor.

16 THE COURT: Understood?

17 DEFENDANT MATLOCK: Yes, Your Honor.

18 THE COURT: All right.

19 DEFENDANT MATLOCK: Thank you.

20 THE COURT: Okay. Here are the -- is there
21 anything else that we haven't covered yet?

22 MR. ARMSTRONG: The Court's indulgence?
23 Your Honor, just the standard condition about no
24 communication with the other defendants (indiscernible).

25 THE COURT: I will.

1 MR. FLOOD: And the amendment I always have to
2 make is: with counsel present, can we communicate with
3 others?

4 THE COURT: Correct.

5 MR. FLOOD: Okay.

6 THE COURT: If I miss any of these as I'm going
7 through them, be sure and remind me. All right.

8 You may not violate -- we haven't talked about
9 Mr. Knight.

10 MR. ARMSTRONG: Right.

11 THE COURT: Do you want to just do that
12 separately?

13 MR. ARMSTRONG: That'd be great.

14 THE COURT: All right. I'm going to give you the
15 conditions of your release, Mr. Matlock. I will explain the
16 penalties for violating once both of you have your
17 conditions. All right.

18 Mr. Matlock, I'm going to require you to post a
19 \$500,000 secured bond. That means you will have to post the
20 \$500,000. I'll give you -- can you do it by close of
21 business tomorrow?

22 MR. FLOOD: Yes, Your Honor, no problem.

23 THE COURT: Okay. By close of business tomorrow.

24 As I mentioned, if the United States freezes your
25 assets, your counsel can make a motion. If that \$500,000 --

1 if you demonstrate that that \$500,000 in security is
2 required to retain your counsel or to pay for the services
3 of your counsel, make a motion and I will address that.

4 You cannot violate any federal, state or local
5 law while on conditions of release. That includes any laws
6 such as securities laws or anything else. If you're going
7 to continue to trade, you cannot violate the law.

8 You must advise your Pretrial supervising officer
9 in writing and in advance if you make any change in your
10 address or telephone number.

11 You must appear in court as required.

12 If you are convicted, you must surrender to serve
13 the sentence that is imposed. The failure to do so is going
14 to be a violation of your conditions.

15 You must continue your employment. Your Pretrial
16 officer is going to want to make sure that they can verify
17 that employment so you need to be aware of that fact.

18 You'll be supervised by Pretrial Services here.

19 Your attorney is going to turn in and surrender
20 your passport. You may not obtain any new passport.

21 You have to avoid all contact with any person who
22 is a victim, witness or co-defendant in the case.

23 Do you understand that? Unless your counsel and
24 their counsel are present.

25 DEFENDANT MATLOCK: Yes, Your Honor.

1 THE COURT: You may not possess any firearm,
2 destructive device or other dangerous weapon. I understand
3 two of the weapons that were in your home have already been
4 turned over to your counsel. The other two have to be
5 removed from your home before you can return there.

6 You're going to be required to live at the
7 74 North Lamerie Way in The Woodlands, Texas.

8 Do you have someone who's going to -- you told me
9 you already have someone who's moving those weapons.

10 DEFENDANT MATLOCK: Yes.

11 THE COURT: All right. Your travel is going to
12 be restricted to the Southern District of Texas. Anything
13 beyond that has to be preapproved.

14 You're going to have a standalone GPS monitor.

15 You may not transfer any of your assets or sell
16 anything or in any way materially move assets that the
17 Government is going to be seeking in the case without at
18 least talk to your attorney. If there's going to be some
19 sort of transfer, it has to be communicated to the United
20 States and the United States has to be given an opportunity
21 to object.

22 DEFENDANT MATLOCK: I'm able to pay normal bills
23 and everything?

24 THE COURT: Normal bills, yes. You can't sell
25 homes, you can't sell cars. And I understand there are at

1 least three cars, a Lamborghini, a McLaren and was it a
2 Lexus?

3 MR. ARMSTRONG: Yes, Your Honor.

4 THE COURT: And a Lexus. If you own other homes
5 or properties, you can't sell or transfer any of them.

6 To the extent Pretrial Services thinks it's
7 necessary, you must be evaluated for mental health
8 treatment. If they decide you need to participate in a
9 mental health treatment program, you must do so. The same
10 goes for a drug abuse program. If they decide that's
11 necessary, you would have to participate.

12 Refrain from the excessive use of alcohol. Don't
13 possess narcotic drugs or controlled substances unless they
14 are prescribed to you by a licensed medical practitioner.
15 Don't use substances that contain CBD oil. Submit to any
16 alcohol or drug testing as required by Pretrial.

17 Any contact with law enforcement has to be
18 reported to your supervising officer.

19 And then you will incur the costs for any GPS
20 monitoring or other services that you receive.

21 Have I forgotten anything?

22 MR. ARMSTRONG: I believe Your Honor already
23 mentioned the no communicating about trading positions with
24 others just to be inclusive.

25 THE COURT: Yes. No social media use and no

1 communication about your trades or trading positions with
2 anyone.

3 DEFENDANT MATLOCK: Okay.

4 THE COURT: Okay. I think that covers it.

5 MR. ARMSTRONG: Thank you, Judge.

6 MR. FLOOD: Thank you, Your Honor.

7 DEFENDANT MATLOCK: Thank you, Your Honor.

8 THE COURT: So Mr. Matlock can execute his bond
9 paperwork here and then we can --

10 MR. FLOOD: We'll turn over the passport and -- I
11 mean, the passport and we'll have the deposit made by
12 tomorrow at the close of business.

13 THE COURT: By tomorrow? Okay. If you give me a
14 minute before leaving the courtroom, we'll do the
15 arraignment.

16 Is he ready for arraignment today?

17 MR. FLOOD: He's ready for arraignment,
18 Your Honor.

19 THE COURT: Okay. Let me cover Mr. Knight.

20 Do you have anything you want to say with respect
21 to the bond conditions for Mr. Knight?

22 MR. ARMSTRONG: Your Honor, we would similarly
23 request a secured bond of \$250,000 for Mr. Knight given his
24 involvement in a very lucrative fraud scheme that went over
25 about two years and given his assets, we believe that that

1 amount of money would be a reasonable amount to secure his
2 appearance at trial.

3 THE COURT: Okay. According to the Pretrial
4 Services Report, his net worth is materially different from
5 Mr. Matlock's.

6 Are you aware of -- I've only got two assets
7 listed here. Are you aware of other assets that he has
8 other than the two things that are listed in the Pretrial
9 Services Report?

10 MR. ARMSTRONG: Your Honor, not listed on this
11 Report is obviously his trading account.

12 DEFENDANT KNIGHT: I don't have any trading
13 accounts anymore. They closed my trading matrix.

14 THE COURT: Remember the right to remain silent
15 so probably don't -- especially since you're not represented
16 by counsel. If you -- Ms. Gilcrease-Garcia is here to
17 advise you about the initial appearance, but don't make any
18 other statements.

19 Hold on let me read this. You live with -- you
20 live at 777 Preston, sir?

21 DEFENDANT KNIGHT: Yes, ma'am.

22 THE COURT: Do you own a home?

23 DEFENDANT KNIGHT: No, I do not.

24 THE COURT: And you own these two cars?

25 DEFENDANT KNIGHT: No, ma'am, just one car.

1 THE COURT: Okay.

2 DEFENDANT KNIGHT: And I'm still paying it off.

3 THE COURT: Do you have other significant assets
4 other than these two cars?

5 DEFENDANT KNIGHT: Nothing of value.

6 MS. GILCREASE-GARCIA: Your Honor, I know that
7 my office is not formally representing Mr. Knight, but I
8 would -- if I may draw the Court's attention to the fact
9 that his estimated net worth, according to the Pretrial
10 Report, is \$40,000, which means that requiring a secured
11 bond of \$250,000 would virtually assure he remained
12 detained. And also the Probation Office seems to be
13 recommending \$40,000 unsecured bond.

14 THE COURT: Uh-huh. Whose house -- Ms. Knight,
15 is that your mother?

16 DEFENDANT KNIGHT: Yes, ma'am.

17 THE COURT: Okay. This is just her. Okay.

18 All right. I'm not going to require a secured
19 bond for Mr. Knight, but I am going to require that you post
20 a \$200,000 unsecured bond. That means you don't have to
21 deposit the \$200,000, but that is going to be the amount of
22 your bond and if you violate conditions, that's the amount
23 of the bond that can be forfeited and you'd be subject to a
24 money judgment in that amount, understood?

25 DEFENDANT KNIGHT: Understood.

1 THE COURT: All right. Sir, you are going to
2 have -- have you talked -- well, are you asking for any
3 other conditions besides the secured bond?

4 MR. ARMSTRONG: Your Honor, we'd similarly ask
5 for GPS monitoring, standard monitoring that applies to
6 Mr. Matlock and also the other defendants who have been
7 arraigned elsewhere.

8 THE COURT: All right. These are the conditions
9 of release I'm going to release you under, Mr. Knight.

10 The \$200,000 unsecured bond.

11 You'll be supervised by Pretrial Services.

12 Is your job day trading also?

13 DEFENDANT KNIGHT: No, ma'am.

14 THE COURT: Okay. What do you do for work?

15 DEFENDANT KNIGHT: It's the podcast.

16 THE COURT: About trading?

17 DEFENDANT KNIGHT: Personal finance, yeah. Yes,
18 ma'am.

19 THE COURT: Do you talk on the podcast about --

20 DEFENDANT KNIGHT: We stopped talking about
21 specific stocks a while ago to avoid this.

22 THE COURT: All right. You cannot -- right now
23 I'm going to tell you you cannot talk about any specific
24 stocks in your podcast. Once you have your counsel
25 retained, if we need to address any of these conditions,

1 your counsel can file a motion to modify the conditions of
2 release, but right now I'm going to say no talking about any
3 specific stock or your position in any specific stock on
4 your podcast.

5 DEFENDANT KNIGHT: And I'm not supposed to talk
6 with any co-defendant.

7 What if my co-defendant is my co-host? Sorry.

8 THE COURT: Well, anything you say to someone
9 other than your attorney about any of the facts alleged in
10 the Indictment can be used against you. It's not
11 privileged. When you talk to your attorney, it's
12 privileged. Anything you say to someone else is not
13 privileged. It can be repeated in court and used against
14 you in the case; do you understand that?

15 DEFENDANT KNIGHT: Yes, ma'am.

16 THE COURT: If you are working with your co-host
17 on this podcast and not speaking about specific stocks, I
18 don't have any objection to that, but to the extent you see
19 this person and communicate with this person, if you mention
20 anything about anything that is alleged in the Indictment,
21 that is not going to be privileged and it can be used
22 against you.

23 DEFENDANT KNIGHT: Understood.

24 THE COURT: And when I tell you what the
25 penalties for violating the conditions of release are, I'm

1 going to tell you that you can receive up to 10 years in
2 prison for interfering with or tampering with a witness,
3 informant or victim. If you have conversations with someone
4 who's a co-defendant in the case, that could apply. You
5 could receive an additional 10 years in prison which
6 wouldn't begin to run until you serve any underlying
7 sentence if you're convicted of these charges, understood?

8 DEFENDANT KNIGHT: Understood. So just to make
9 sure there's no mentioning of specific stocks on the
10 podcast.

11 THE COURT: On the podcast, no mention of any
12 specific stocks.

13 DEFENDANT KNIGHT: Yeah. I'll only talk to
14 (indiscernible) and it'll be recorded and it won't
15 (indiscernible).

16 THE COURT: All right. Okay.

17 MR. ARMSTRONG: Your Honor, if I may? I would
18 just add no talking about a co-defendant about this case
19 period.

20 THE COURT: No, that's what I just said.

21 DEFENDANT KNIGHT: Okay.

22 THE COURT: If I didn't say that, that's what I
23 mean.

24 DEFENDANT KNIGHT: I understood that part.

25 THE COURT: No talking at any co-defendant or

1 anyone who's involved in the case as a victim or a witness
2 about the case.

3 DEFENDANT KNIGHT: About the case, correct,
4 understood.

5 MR. ARMSTRONG: Thank you, Judge.

6 THE COURT: Uh-huh. All right. Do you have a
7 passport?

8 DEFENDANT KNIGHT: No, ma'am. I believe it
9 expired when I was like 12 to 14. My mom probably has it.

10 THE COURT: Okay. If you find your passport, you
11 need to surrender it. You may not get any other passport.

12 DEFENDANT KNIGHT: Okay.

13 THE COURT: You're going to be on a GPS monitor.
14 Your travel is going to be restricted while
15 you're on that monitor to the Southern District of Texas.

16 Do you have any need or reason to travel outside
17 the Southern District of Texas?

18 DEFENDANT KNIGHT: Just to South Alabama for
19 Christmas to see my family.

20 THE COURT: All right. You can travel to see
21 your family for Christmas. You just need to make sure your
22 supervising officer has the -- all of your travel
23 information.

24 DEFENDANT KNIGHT: Okay.

25 THE COURT: Okay. We've talked about no contact

1 with any co-defendant, witness, victim or potential victim
2 with the exception that a co-defendant will work with you on
3 the podcast. There can be no discussion about the case or
4 anything relating to the case with that co-defendant.

5 Cannot possess any firearm, destructive device or
6 other dangerous weapon.

7 Do you have any weapons in your home?

8 DEFENDANT KNIGHT: No, ma'am.

9 THE COURT: Okay. You must refrain from the use
10 of -- hold on. You must refrain from the excessive use of
11 alcohol. Don't possess any narcotic drugs or controlled
12 substances unless they're prescribed to you by a licensed
13 medical doctor.

14 If US Probation believes you need to submit to
15 alcohol or drug testing, you will. The same goes for out-
16 patient therapy, mental health counseling, substance abuse,
17 anything like that. If recommended by US Probation, you
18 will have to comply with the recommendation.

19 DEFENDANT KNIGHT: Yes, ma'am.

20 THE COURT: Report all contact with law
21 enforcement.

22 You'll have to pay the costs of your GPS monitor
23 and any treatment that you receive.

24 You cannot violate any federal, state or local
25 law while on conditions release.

1 And you must advise your supervising officer in
2 advance in writing if you change your address or phone
3 number. Okay.

4 Have I covered all of the conditions of release?

5 MR. ARMSTRONG: Your Honor, the last condition
6 that we would request is a similar prohibition on the
7 transfer of assets without prior notification to the United
8 States.

9 THE COURT: Don't transfer, sell any cars --

10 DEFENDANT KNIGHT: Yes, ma'am.

11 THE COURT: -- or any other assets without
12 informing your counsel who will notify the United States and
13 they have to be given an opportunity to object.

14 DEFENDANT KNIGHT: Yes, ma'am.

15 THE COURT: All right. Okay. There are severe
16 penalties for violating conditions of release. If you
17 violate any of the conditions of release, a warrant could be
18 issued for your arrest. You can be detained until trial.
19 The pretrial release can be revoked. You can be prosecuted
20 for contempt of court, imprisoned, fined or both.

21 And as I mentioned, the bond -- the unsecured
22 bond can be forfeited and the secured bond can be forfeited.

23 Understood?

24 DEFENDANT MATLOCK: Yes, ma'am.

25 DEFENDANT KNIGHT: Yes, Your Honor.

1 THE COURT: It is a crime punishable by 10 years
2 in prison and a fine of up to \$250,000 or both to obstruct a
3 criminal investigation or to attempt to influence or tamper
4 with a witness, informant or victim or co-defendant.

5 Don't have any contact with any co-defendant,
6 witness or victim except as we discussed, Mr. Knight, with
7 your podcast.

8 If you commit a crime while on conditions of
9 release, that would include any crime including securities
10 fraud, you can be punished more severely than you would be
11 if you committed the same crime while not on conditions of
12 release.

13 If you commit a federal felony while on
14 conditions of release, you could receive an additional
15 10 years in prison. That would only begin to run after the
16 underlying sentence is served. And you could receive an
17 additional \$250,000 fine.

18 If you fail to appear in court when required or
19 if you're convicted and you fail to surrender to serve your
20 sentence, you could receive an additional 10 years in prison
21 and an additional fine of up to \$250,000. Again that
22 additional prison time would not begin to run until after
23 your underlying sentence is served. As I mentioned, your
24 bond could be forfeited.

25 If you are found not guilty or if you are

1 convicted and you surrender to serve your sentence, the bond
2 will be released.

3 Any questions?

4 DEFENDANT MATLOCK: No, Your Honor.

5 THE COURT: Okay. You're going to have to fill
6 out the bond paperwork here today.

7 Mr. Knight, we need to set you for counsel
8 determination.

9 How about Friday morning at 10:00 a.m.?

10 DEFENDANT KNIGHT: Okay. And just show up here?

11 THE COURT: Come here with your lawyer that you
12 have hired --

13 DEFENDANT KNIGHT: Right.

14 THE COURT: -- or come here with information for
15 why you can't afford a lawyer that's different from what is
16 in this financial affidavit --

17 DEFENDANT KNIGHT: All right.

18 THE COURT: -- that I will then have you swear to
19 under penalty of perjury.

20 DEFENDANT KNIGHT: I shall (indiscernible).

21 THE COURT: All right. Anything else that I've
22 forgotten?

23 MR. FLOOD: We can do an arraignment if you'd
24 like, Your Honor.

25 MS. GILCREASE-GARCIA: Your Honor, could I

1 briefly note for Mr. Knight? Again I know we're not
2 appointed --

3 THE COURT: Yes.

4 MS. GILCREASE-GARCIA: -- but I have notice
5 issues come up with travel restrictions unless the language
6 "except as approved -- to be approved by the Probation
7 Office" is included so I --

8 THE COURT: Okay. Yes. So his travel
9 restrictions are Southern District of Texas unless as
10 approved by Pretrial Services and I am giving him permission
11 to go to Alabama, I believe so --

12 DEFENDANT KNIGHT: Yes, ma'am.

13 THE COURT: -- for the Christmas holidays.

14 PRETRIAL SERVICES OFFICER DABNEY: Thank you,
15 Your Honor.

16 Your Honor, are you ordering that they have the
17 monitor installed before they leave today?

18 THE COURT: You can do it today, right?

19 PRETRIAL SERVICES OFFICER DABNEY: Yes, we can do
20 that.

21 THE COURT: Yes. That monitor's installed before
22 you leave today.

23 We can only do the arraignment for Mr. Matlock.
24 Mr. Knight doesn't have his counsel yet. Yes?

25 MR. ARMSTRONG: Your Honor, if I may? I don't

1 believe that Your Honor mentioned that Mr. Knight be
2 similarly prohibited from posting on social media about
3 specific stocks as well.

4 THE COURT: Okay. You didn't ask me about that
5 because I --

6 MR. ARMSTRONG: I apologize.

7 DEFENDANT KNIGHT: Understood.

8 THE COURT: All right.

9 MR. ARMSTRONG: Thank you, Judge.

10 THE COURT: Add to the conditions for
11 Mr. Knight that he may not post on social media regarding --
12 well, can you just stay off social media altogether? That
13 would be easier.

14 DEFENDANT KNIGHT: I guess.

15 THE COURT: Posting, no posting.

16 DEFENDANT KNIGHT: Okay. No posting. Yeah, I
17 don't --

18 THE COURT: You can lurk in the shadows and look
19 at what other people post like my husband does.

20 DEFENDANT KNIGHT: I'll take that.

21 THE COURT: All right.

22 DEFENDANT KNIGHT: Thank you for meeting me in
23 the middle.

24 THE COURT: Sorry?

25 DEFENDANT KNIGHT: I said thank you for meeting

1 me in the middle.

2 THE COURT: No problem. Okay. I can let you go,
3 Mr. Knight, because you cannot be arraigned until you have
4 an attorney that you have retained.

5 I'm going to do the arraignment for Mr. Matlock.

6 And, Mr. Knight, you will return to this
7 courthouse --

8 DEFENDANT KNIGHT: Friday at 10:00 a.m.

9 THE COURT: -- Friday at 10:00 a.m. --

10 DEFENDANT KNIGHT: Yes, ma'am.

11 THE COURT: -- with your counsel. Okay.

12 All right. Mr. Matlock, I have -- have you fully
13 reviewed the entire Indictment with your attorney?

14 DEFENDANT MATLOCK: Yes, yes, Your Honor.

15 THE COURT: And you understand there are 34 pages
16 of facts in this Indictment.

17 DEFENDANT MATLOCK: Yes, Your Honor.

18 THE COURT: And you're familiar with them.

19 DEFENDANT MATLOCK: Yes.

20 THE COURT: All right. And you understand you're
21 charged in Count 1 with conspiracy to commit securities
22 fraud, in violation of 18, United States Code, Section 1349
23 and you're charged in Counts 2 through 6 with securities
24 fraud, in violation of 18, United States Code, Section 1348
25 and Section 2.

1 DEFENDANT MATLOCK: Yes, Your Honor.

2 THE COURT: All right. And I have told you that
3 the maximum penalty you face if convicted on each of those
4 counts is per count:

5 Up to 25 years in prison;

6 A \$250,000 fine;

7 Five years of supervised release;

8 And a \$100 special assessment.

9 DEFENDANT MATLOCK: Yes, Your Honor.

10 THE COURT: Are you ready at this point to enter
11 your formal plea to the charges in the Indictment?

12 DEFENDANT MATLOCK: Yes, Your Honor.

13 THE COURT: How do you plead to the charges in
14 Counts 1 and 2 through 6 of the Indictment?

15 DEFENDANT MATLOCK: Not guilty.

16 THE COURT: All right. I'm going to enter a not
17 guilty plea on your behalf.

18 Your case is assigned to Judge Hanen. You are
19 set for trial on February 13th of 2023 at 9:00 a.m. Your
20 motions are due by January 3rd. Responses are due by
21 January 17. Pretrial conference is February 6th at 8:30.

22 Estimated number of trial days.

23 MR. ARMSTRONG: Your Honor, given that there are
24 currently eight defendants, I would estimate approximately
25 three weeks.

1 THE COURT: Three weeks. You said other
2 defendants have been arrested in other jurisdictions.

3 MR. ARMSTRONG: Yes, Your Honor.

4 THE COURT: Okay. All right. Anything else for
5 Mr. Matlock?

6 MR. FLOOD: Nothing from us, Your Honor.

7 THE COURT: Anything else, Mr. Matlock?

8 DEFENDANT MATLOCK: No, Your Honor. Thank you
9 very much.

10 THE COURT: All right. Thank you. You're
11 excused.

12 (The parties thank the Court.)

13 (Hearing adjourned at 3:23 p.m.)

14 * * * * *

15 I certify that the foregoing is a correct
16 transcript to the best of my ability due to the condition of
17 the electronic sound recording of the proceedings in the
18 above-entitled matter.

19 /S/ MARY D. HENRY

20 CERTIFIED BY THE AMERICAN ASSOCIATION OF

21 ELECTRONIC REPORTERS AND TRANSCRIBERS, CET**337

22 JUDICIAL TRANSCRIBERS OF TEXAS, LLC

23 JTT TRANSCRIPT #66664

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